

# Carillion Canada bankruptcy threatens 6,000 jobs

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The jobs, wages and pensions of 6,000 workers in Canada are under threat as a result of the bankruptcy of Carillion Canada Ltd., a subsidiary of British-based Carillion PLC.

Carillion PLC's collapse on January 15 left 50,000 workers globally facing the loss of their livelihoods. Much like its parent company in Britain, Carillion Canada was the recipient, over decades, of billions of dollars in public sector contracts from federal and provincial governments.

Carillion Canada had revenues of \$1 billion annually from public-private partnership projects in energy, construction, transportation, health care, property management, and aviation.

It was announced February 5 that Fairfax will acquire part of Carillion Canada's operations, including 4,500 workers, subject to due diligence and a ruling by the Ontario Superior Court. However, there is no guarantee for the 4,500 workers that Fairfax will continue to employ them.

Carillion is just one example of the corporate plundering that has seen big business rake in huge profits through a comprehensive drive to privatize public services internationally since the 1990s.

Private finance initiative (PFI) projects were first developed under Britain's Tory government in the early 1990s. However, their use only became widespread after they were championed by Tony Blair's Labour government, which came to power in 1997. PFIs have been used to systematically undermine and privatize public services, drive down public sector employment and ramp up user fees.

Top advisers to the Blair government travelled to Canada to export PFI, which was eagerly embraced in the form of public-private partnerships or P3s by Canada's three major capitalist parties—the Liberals, Conservatives and New Democrats—as a means to sell off public services, undermine workers' wages and conditions, and slash public spending.

As in Britain, the result has been a vast deterioration in public services and multi-billion dollar windfalls for the corporate elite.

Traditionally, governments borrowed money for social and transportation infrastructure by issuing bonds on which they

paid ultra-low interest rates of 1 or 2 percent per annum. They then used the money raised to design and build hospitals, schools, bridges and highways as "public works" projects. Once built, the facility or infrastructure was owned, operated and maintained by public servants on behalf of the public.

By contrast, in P3 projects a government typically enters into a multi-decade contract with one or more private corporations to design, build, finance and operate public facilities. The government then leases them from the private partner, which acts essentially as a front for the major banks and financial investors. Typical borrowing rates for P3 project, which are part of the bill paid by the government, range from 7 to 9 percent, i.e. 4-5 times higher than typical rates for government borrowing. Moreover, such projects usually involve guaranteed "revenue streams" to ensure the private investors reap windfall profits.

Justin Trudeau's Liberal government fervently advocates the use of P3s. Trudeau's new infrastructure bank, which was set up to launch the wholesale privatization of Canada's public infrastructure, will use public money to open up tens of billions of dollars of investment opportunities for the global financial elite.

It therefore comes as no surprise that Trudeau's top economic advisers are strident proponents of privatization and P3s. For example, Michael Sabia, head of the *Caisse de depot* pension fund in Quebec, which is a major investor in privatization projects, sits on the Trudeau government's Advisory Council on Economic Growth.

Council chair Dominic Barton's firm, McKinsey & Company, is a global leader in advising governments on how best to dismantle public services. It was a report authored by the Council under Barton's leadership that urged the creation of the Canada Infrastructure Bank to woo international investors.

P3s have been embraced by all three of Canada's major capitalist parties, including the social-democrats of the New Democratic Party or NDP. By 2010, there were hundreds of Canadian P3 projects worth over \$200 billion.

Carillion was one of the main beneficiaries. In 2002, Carillion Canada Ltd. won contracts to build the country's first two P3 hospitals under Ontario Conservative Premier Ernie Eves. Dalton McGuinty's Liberals accused Eves of privatizing health care and of borrowing money on the sly, hiding the true costs of the new hospitals, with contractual pledges to pay Carillion fees for decades. However, once elected, Ontario's premier McGuinty continued the P3 projects.

When Carillion won a P3 contract to rebuild and maintain the Royal Ottawa Mental Health Centre in 2002, pension funds put up the money for the \$100 million renovations and Carillion got a 25 year operating contract worth about \$7 million a year, plus \$4 million in "flow-through" payments for things such as gas and electric bills—a huge guaranteed return on its investment.

In 2015, Ontario Auditor General Bonnie Lysyk examined winter maintenance of Ontario highways and concluded Carillion took twice as long to clear highways as it had taken government crews previously. Fatal crashes on Toronto-area highways during a New Year's 2016 storm, and in Peel, Halton, York and Toronto in 2017, resulted in the termination of Carillion's contracts.

The Ontario Auditor General's Report in 2017 criticized successive governments' use of 74 P3s. The report estimated that because of increased borrowing costs, P3 projects cost Ontario \$8 billion more than they would have if they had been fully public. The report demonstrated a P3 hospital in Brampton ended up costing \$200 million more than if it had been built as a public works project. Moreover, the facility contained fewer beds than promised.

The report showed P3 contractors gouged hospitals for maintenance work not covered under the contracts, resulting in litigation, and found Carillion had billed for over \$200 million in cost over-runs during the construction of the William Osler Hospital.

The political elite is not about to allow Carillion's demise to hinder their privatization drive. Manitoba Conservative Premier Brian Pallister has announced that the province will build P3 schools in the Winnipeg, Seven Oaks, Pembina Trails, and Brandon school divisions.

Last month, Alberta NDP Transportation Minister Brian Mason signaled Rachel Notley's trade union-backed government has no interest in reversing the "P3-ing" of Alberta public services. Carillion has three 10-year contracts to maintain 43 percent of Alberta highways worth \$96.8 million. New schools, hospitals, and the new Edmonton Light Rail Transit line are being built using P3s.

The most duplicitous response to the Carillion collapse has come from the trade unions, which after decades of conniving in the privatization of public services, and

boosting the "progressive" credentials of the NDP and Liberals, the very political parties responsible for adopting P3s, have suddenly begun to issue criticisms of the P3 approach.

"This is a clear sign that privatization doesn't work," blustered Ontario Public Service Employees Union (OPSEU) President Warren Thomas when news of Carillion's collapse broke. "It's ineffective. It's over-priced. And as we're learning today, it's totally unreliable. This is another example of failed privatization taking more money out of the pockets of Ontarians. I'm demanding that our government face these facts and begin bringing privatized services back under public management, where they belong...Carillion isn't the only large corporation providing privatized public services in Ontario. It's time for us to look at all of those contracts and ask ourselves if they're worth the risk."

Who does the OPSEU president think he is kidding? This is the same Warren Thomas who demobilized 12,000 college teachers in the face of Liberal-imposed back to work legislation last November, scuttling a four-week strike for job security and higher pay. Thomas also infamously told the Ontario Liberal government prior to the 2014 provincial election that if it chose to privatize highly profitable real estate belonging to the government-owned Liquor Control Board of Ontario, OPSEU's pension fund would be interested in investing in it.

The unions, OPSEU included, are up to their necks in the assault on public services through privatizations and other attacks on working people. They have endorsed successive Liberal governments at the provincial and federal levels—including those headed by McGuinty and Kathleen Wynne in Ontario and the current Trudeau federal government—on the spurious pretext of "stopping" the right-wing Conservatives. This union backing has enabled Liberal governments to enforce their privatization agenda and attacks on the working class, a key element of which has been the outsourcing of public service contracts to firms like Carillion.



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